



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
MERCER COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MERCER COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

The Auditor of Public Accounts has completed the Mercer County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances increased by \$420,052 from the prior fiscal year, resulting in a cash surplus of \$4,208,005 as of June 30, 2001. Revenues decreased by \$14,985 from the prior year and disbursements increased by 269,528.

#### **Debt Obligations:**

Capital lease principal agreement totaled \$145,000 as of June 30, 2001. Future principal and interest payments of \$154,534 are needed to meet this obligation.

#### **Report Comment:**

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

#### **Deposits:**

As of August 31, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$123,507 of public funds uninsured and unsecured.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Charles McGinnis, Mercer County Judge/Executive

Members of the Mercer County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Mercer County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Mercer County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Mercer County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Mercer County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Charles McGinnis, Mercer County Judge/Executive  
Members of the Mercer County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2002 on our consideration of Mercer County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Mercer County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
June 27, 2002



MERCER COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

**Fiscal Court Members:**

Charles H. McGinnis	County Judge/Executive
Marshall Wayne Russell	Magistrate
J. B. Claunch	Magistrate
Larry Peyton	Magistrate
James William Waggener	Magistrate
Wayne T. Jackson	Magistrate
Charles T. Hurt	

**Other Elected Officials:**

Douglas L. Greenburg	County Attorney
Cleo W. Baker	Jailer
Larry Short	County Clerk
Rose Bishop	Circuit Court Clerk
Ralph L. Anderson	Sheriff
Neila L. Monroe	Property Valuation Administrator
David Ransdell	Coroner

**Appointed Personnel:**

Gayle Horn	County Treasurer
Carmen Freeman	Occupational Tax Collector

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STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

MERCER COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:		
Cash	\$ 1,159,669	
Road and Bridge Fund:		
Cash	827,607	
Jail Fund:		
Cash	429,334	
Local Government Economic Assistance Fund:		
Cash	33,027	
Landfill Fund:		
Cash	112,212	
Payroll and Net Profit Tax Fund:		
Cash	1,622,652	
KACo Leasing Trust Acquisition Fund:		
Cash	23,504	
Payroll Revolving Account - Cash	<u>16,409</u>	\$ 4,224,414

Other Resources

General Fund Type

General Fund:		
Amounts to be Provided in Future Years for Kentucky		
Association of Counties Leasing Trust Agreement - Principal		<u>145,000</u>
Total Assets and Other Resources		<u>\$ 4,369,414</u>

The accompanying notes are an integral part of the financial statements.

MERCER COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Types

General Fund - Kentucky Association of Counties

Leasing Trust Agreement - (Note 4) \$ 145,000

Payroll Revolving Account 16,409 \$ 161,409

Fund Balances

Reserved:

General Fund Type

Landfill Fund \$ 112,212  
 KACo Leasing Trust Acquisition Fund 23,504 135,716

Unreserved:

General Fund Type

General Fund \$ 1,159,669  
 Road and Bridge Fund 827,607  
 Jail Fund 429,334  
 Local Government Economic Assistance Fund 33,027  
 Payroll and Net Profit Tax Fund 1,622,652 4,072,289  
 Total Liabilities and Fund Balances \$ 4,369,414

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MERCER COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,958,005	\$ 1,818,798	\$ 769,624	\$ 117,887
Transfers In	956,864	526,864	300,000	130,000
Kentucky Advance Revenue Program	1,647,100	1,647,100		
Lease-Purchase Proceeds	25,000			
Total Cash Receipts	<u>\$ 6,586,969</u>	<u>\$ 3,992,762</u>	<u>\$ 1,069,624</u>	<u>\$ 247,887</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,494,153	\$ 1,969,906	\$ 1,092,686	\$ 212,134
Schedule of KACo Leasing Trust Acquisition Fund Expenditures	1,800			
Transfers Out	956,864	130,000	26,864	
Kentucky Association of Counties Leasing Trust-Principal Payment	67,000	67,000		
Kentucky Advance Revenue Program Repaid	1,647,100	1,647,100		
Total Cash Disbursements	<u>\$ 6,166,917</u>	<u>\$ 3,814,006</u>	<u>\$ 1,119,550</u>	<u>\$ 212,134</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 420,052	\$ 178,756	\$ (49,926)	\$ 35,753
Cash Balance - July 1, 2000	<u>3,787,953</u>	<u>980,913</u>	<u>877,533</u>	<u>393,581</u>
Cash Balance - June 30, 2001	<u>\$ 4,208,005</u>	<u>\$ 1,159,669</u>	<u>\$ 827,607</u>	<u>\$ 429,334</u>

The accompanying notes are an integral part of the financial statements.



MERCER COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
Fiscal Year Ended June 30, 2001  
(Continued)

General Fund Type			
Local Government Economic Assistance Fund	Landfill Fund	Payroll and Net Profit Tax Fund	KACo Leasing Trust/ Acquisition Fund
\$ 31,602	\$ 67,362	\$ 1,152,428	\$ 304
			25,000
\$ 31,602	\$ 67,362	\$ 1,152,428	\$ 25,304
\$ 49,197	\$ 146,481	\$ 23,749	\$
		800,000	1,800
\$ 49,197	\$ 146,481	\$ 823,749	\$ 1,800
\$ (17,595) 50,622	\$ (79,119) 191,331	\$ 328,679 1,293,973	\$ 23,504
\$ 33,027	\$ 112,212	\$ 1,622,652	\$ 23,504

The accompanying notes are an integral part of the financial statements.

MERCER COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Mercer County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the KACo Leasing Trust Acquisition Fund as part of the reporting entity.

The KACo Leasing Trust Acquisition Fund is established for the Fiscal Court for the purpose of providing long-term financing for approved projects. A third party trustee maintains the fund on the Fiscal Court's behalf; therefore, management must include the fund as a part of the reporting entity and their financial activity will be blended with that of the Fiscal Court.

Additional - Mercer County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Mercer County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Mercer County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Mercer County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Landfill Fund, Payroll and Net Profit Tax Fund, and the KACo Leasing Trust Acquisition Fund.

MERCER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Mercer County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not required to be adopted for the KACo Leasing Trust Acquisition Fund.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Mercer County Fiscal Court: North Mercer Water District and Mercer County Public Library

MERCER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Joint Venture

The County, in conjunction with the City of Harrodsburg and the City of Burgin, has created the Anderson/Dean Park Board, whose purpose is to oversee the daily maintenance and administration of all business regarding the Anderson/Dean Park, as well as, implementation of the Park's master plan in regards to capital improvements. The Anderson/Dean Park Board is composed of thirteen board members with six members appointed by the County Judge/Executive, with the approval of the fiscal court, six members appointed by the City of Harrodsburg's Mayor, with the approval of the city council, and one member appointed by the City of Burgin's Mayor, with the approval of the city council. The County and the City of Harrodsburg finance equally the operations budget of the Park. The City of Burgin has elected to make no financial contribution. The County contributed \$79,150 to Anderson/Dean Park Board for the year ended June 30, 2001. The County and the City of Harrodsburg jointly own the Anderson/Dean Park property.

H. Jointly Governed Organizations

The Harrodsburg/Mercer County Industrial Development Authority, whose purpose is to acquire and develop industrial sites and plants for the community, is a joint board of Mercer County and the City of Harrodsburg. The County Judge/Executive with the approval of fiscal court appoints three members and the Mayor with the approval of the city council appoints three members. The County has no equity interest. The County did not contribute any funds to the Harrodsburg/Mercer County Industrial Development Authority for the year ended June 30, 2001.

The Greater Harrodsburg/Mercer County Planning and Zoning Commission, whose purpose is to carry out a joint county/city planning program in order to assure the development of public and private property in the most appropriate relationships and to promote orderly growth, is a joint commission of Mercer County and the City of Harrodsburg. The County Judge/Executive with the approval of fiscal court appoints three members and the Mayor with the approval of the city council appoints three members. The County has no equity interest. The County did not contribute any funds to The Greater Harrodsburg/Mercer County Planning and Zoning Commission for the year ended June 30, 2001.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

MERCER COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2001  
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of August 31, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$123,507 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 2000.

	<u>Bank Balance</u>
Insured or collateralized with securities held by the county's agent in the county's name	\$ 3,732,656
Uncollateralized and uninsured	<u>123,507</u>
Total	<u><u>\$ 3,856,163</u></u>

Note 4. Capital Lease Agreement

On April 3, 1996, the Mercer County Fiscal Court entered into a 7-year leasing agreement with KACo Leasing Trust for the Mercer County Health Department. Principal payments are due annually by January 20.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Principal Payment</u>
01/20/02	\$ 6,920	\$ 70,000
01/20/03	<u>2,614</u>	<u>75,000</u>
Total as of June 30, 2001	<u><u>\$ 9,534</u></u>	<u><u>\$ 145,000</u></u>

MERCER COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2001  
 (Continued)

Note 5. Lease-Purchase Agreement

The county has entered into the following lease-purchase agreement:

Items Purchased	Annual Payment	Term of Agreement	Ending Date	Principal Balance June 30, 2001
E911 Equipment	\$ 5,757	5 Years	02/20/06	<u>\$ 23,502</u>

Note 6. Mercer County Public Health Taxing District Sublease Agreement

On April 3, 1996, the Mercer County Fiscal Court entered into a 7-year leasing agreement with KACo Leasing Trust for the Mercer County Health Department. On that same date, the Mercer County Fiscal Court and the Mercer County Public Health Taxing District entered into a sublease which stated the Mercer County Public Health Taxing District will reimburse the county all payments as set out in the county's KACo Leasing Trust agreement. Fiscal year 2001 payments were received in January and June 2001.

Note 7. Interlocal Cooperation Agreement

Mercer County has entered into an Interlocal Cooperation Agreement with Boyle County to share in the cost of a regional jail facility. The facility will be owned by Boyle County. Mercer County agrees to pay a percentage, not below 35%, nor to exceed 50%, of the yearly costs in exchange for use of the facility for Mercer County prisoners.

Note 8. Insurance

For the fiscal year ended June 30, 2001, Mercer County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Solid Waste Landfill

Mercer County Fiscal Court (the County) operated a landfill, which ceased operations on June 30, 1992. The County initiated closure operations in August 1991. Closure costs were estimated to be \$52,700 and the County completed the steps necessary to close the landfill. The County appears to have met all federal, state, and local laws and regulations in regard to closure of the landfill. Postclosure care consists primarily of groundwater monitoring and landscape maintenance. The County is required to file reports with the appropriate regulatory agencies regarding the findings and groundwater monitoring activities. Postclosure costs are included in the Landfill Fund. These costs could be affected by inflation, deflation, technology, or applicable laws and regulations.

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE





MERCER COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 2,737,677	\$ 1,818,798	\$ (918,879)
Road and Bridge Fund	701,381	769,624	68,243
Jail Fund	97,747	117,887	20,140
Local Government Economic Assistance Fund	33,000	31,602	(1,398)
Landfill Fund	63,000	67,362	4,362
Payroll and Net Profit Tax Fund	1,104,401	1,152,428	48,027
Totals	<u>\$ 4,737,206</u>	<u>\$ 3,957,701</u>	<u>\$ (779,505)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 4,737,206
Add: Budgeted Prior Year Surplus	770,000
Add: Other Financing Source	25,000
Less: Other Financing Uses	<u>(67,000)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 5,465,206</u>

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SCHEDULE OF OPERATING REVENUE



MERCER COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

	<u>GOVERNMENTAL FUND TYPE</u>
<u>Revenue Categories</u>	<u>General Fund Type</u>
Taxes	\$ 2,019,636
In Lieu Tax Payments	10,570
Excess Fees	111,000
Licenses and Permits	50,130
Intergovernmental Revenues	1,432,619
Charges for Services	62,370
Miscellaneous Revenues	61,490
Interest Earned	<u>210,190</u>
Total Operating Revenue	<u>\$ 3,958,005</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES





MERCER COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 974,139	\$ 746,424	\$ 227,715
Protection to Persons and Property	821,197	494,694	326,503
General Health and Sanitation	456,173	405,392	50,781
Social Services	63,750	24,824	38,926
Recreation and Culture	1,224,750	240,918	983,832
Transportation	17,000	11,768	5,232
Roads	1,156,060	1,027,845	128,215
Other Transportation Facilities and Services	700	650	50
Debt Service	49,702	48,069	1,633
Capital Projects	50,000	3,798	46,202
Administration	651,735	489,771	161,964
Total Operating Budget - All General Fund Types	\$ 5,465,206	\$ 3,494,153	\$ 1,971,053
Other Financing Uses:			
Borrowed Money-			
Kentucky Advanced Revenue			
Program - Principal	1,647,100	1,647,100	
KACo Leasing Trust Agreement-			
Principal on Lease	67,000	67,000	
TOTAL BUDGET - ALL GENERAL FUND TYPES	\$ 7,179,306	\$ 5,208,253	\$ 1,971,053

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SCHEDULE OF KACo LEASING TRUST ACQUISITION FUND EXPENDITURES



MERCER COUNTY  
SCHEDULE OF KACo LEASING TRUST ACQUISITION FUND EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Items

E911 Equipment	<u>\$ 1,800</u>
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Charles McGinnis, Mercer County Judge/Executive

Members of the Mercer County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Mercer County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated June 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mercer County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comment and recommendation.

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mercer County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
June 27, 2002

## COMMENT AND RECOMMENDATION



MERCER COUNTY  
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 2001

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

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On August 31, 2000, \$123,507 of the county's deposits of public funds in depository institutions was uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*County Judge/Executive Charles McGinnis' Response:*

*The Judge and the Treasurer have made a dedicated effort to visit each bank executive to explain that we must have our funds pledged and insured. The Treasurer checks with the bank to make sure pledges are sufficient before large deposits are made.*

PRIOR YEAR FINDINGS

None.



CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

MERCER COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

Appendix A





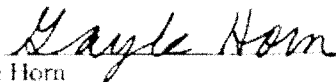
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
MERCER COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Mercer County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Charles McGinnis  
County Judge/Executive



Gayle Horn  
County Treasurer